

- 49) Non-facilities-based firms, such as resellers, by themselves cannot be an effective comprehensive restraint on Ameritech's behavior. As long as a reseller can obtain capacity only from Ameritech, it remains in many respects hostage to Ameritech. Such a reseller would remain hostage not only to the prices it paid, but to the quality of service it received, to the processes for ordering and provisioning that it was offered, and to the services it could provide its customers. In contrast, the presence of other facilities based competitors would (1) constitute an alternative to Ameritech's service and (2) begin to provide even resellers with additional suppliers and would hence, over time, significantly diminish the market power Ameritech could exercise over its retail customers, its facilities based competitors, as well as its resale customers.
- 50) Regardless of its effectiveness in disciplining the market as a stand alone option, it is unclear whether resale carriers have substantially penetrated the Michigan market. In its November 12, 1996 Submission of Information herein, Ameritech points to the existence of several telemanagement firms as support for its contention that resale competition exists on a large scale in Michigan. As with the data supplied on other sources of competition in Michigan, the firms that Ameritech references do not appear to constitute the type of resale market that the FCC envisioned in its First Report and Order

- 51) Without more accurate information, we are left to speculate. However, there are a few things we know about the resale market in Michigan. First, it is only beginning to develop. Telemanagement firms are the only resellers that Ameritech can cite to in Michigan, and they are not wholesale purchases of Ameritech services under Ameritech's resale tariffs. In fact, Ameritech cannot point out any true reseller under the terms of the Act in Michigan at the present time. It is my position that the telemanagement firms referenced by Ameritech are not resellers as contemplated under the checklist.
- 52) Further, many of the interfaces which Ameritech uses to support its resellers have yet to be tested, yet alone fully implemented, as some were not even scheduled for completion until January 1, 1997.²⁰ Also, information provided by Ameritech suggests that its electronic customer service record ("CSR") interface, used by resellers to request information about customers who have chosen to use their resale service, processed only 2,460 requests during all of 1996 across the entire Ameritech region. Based upon these facts, it seems unlikely that resellers have yet to make any impact in regard to the Ameritech customer base.
- 53) In addition, Ameritech has refused to provide notice of changes to services and new offerings to resellers until it announces such changes to the public or provides notices of

²⁰ It is important to note that until those interfaces have been developed, implemented and tested, and until resellers have had time to develop some level of expertise and comfort with them, given Ameritech's past record with respect to meeting its competitors needs, competitors will likely remain unwilling to support large numbers of customers on a resale basis.

such changes in tariff sheets. This proposal is plainly insufficient to permit resellers to make any changes to their operational support services and to prepare to offer those changed or new services to their customers. Ameritech should be required to provide notice of changes or new services at the same time that Ameritech or its affiliates notifies its business unit and sale personnel that such changes or new services will be offered. Such notification is undoubtedly used to permit Ameritech personnel to ensure that Ameritech's operations support services interfaces are sufficiently prepared to permit ordering, provisioning, and maintenance of the new or altered services. Notification to AT&T and other resellers at the time of notification to Ameritech's business unit and OSS personnel will provide additional time to AT&T and the resellers so they can provide service to their customers on a nondiscriminatory basis with Ameritech.

GENERAL ASSESSMENT OF AMERITECH'S SUBMISSIONS OF
INFORMATION

- 54) The level of competition provided through facilities placement, resale or unbundled elements in Michigan today are non-existent or very limited and obstacles remain for the future. Ameritech has not provided any other information to support its claim that competition is thriving in the Michigan local exchange marketplace. Ameritech has

provided what it believes to be further evidence of a thriving competitive local exchange marketplace within its Submission of Information in this case.

55) This information should be viewed very skeptically and in the context of what it really is: a showing that competitors have stated an intention, and perhaps gathered a subset of the legal documentation required, to enter the local exchange market. It provides no evidence of the current success or progress of those competitors in actually entering the market and substantially effecting its non-competitive nature or whether it is likely they will become effective given current obstacles. The areas cited by Ameritech in an effort to support its claim that a competitive market exists ultimately fail to an extreme degree.

**THE POTENTIAL FOR EFFECTIVE COMPETITION FROM IXC, CATV
AND WIRELESS CARRIERS**

56) In my opinion, CATV and wireless cannot constitute effective competition for Ameritech, at least not for the foreseeable future. Ameritech states that the CATV industry is "planning" to expand into telecommunications service on a short-term basis, and that wireless carriers "have an interest" in the provision of local exchange service beyond traditional mobile applications. For a number of reasons, neither cable or wireless will have the ability to compete effectively against Ameritech in the local exchange in Michigan until a number of obstacles have been overcome.

57) First, both cable and wireless encounter substantial technical and economic

challenges in attempting to compete with Ameritech in the local exchange market.

Most cable systems are not currently outfitted to provide telephone service and the technology that will allow them to do so has been slow in coming. Before any CATV provider could effectively compete with Ameritech, it would be required to retrofit its system and improve the existing transmission quality of the system. This would not be easy, and would likely be very expensive to accomplish. Perhaps the best evidence of this difficulty is the fact that, although several ventures involving the provision of local exchange service through cable systems have been announced, and some trials of such service have been held even in Michigan, provision of exchange service over cable in the United States is exceedingly rare. In fact, a recent article in the Wall Street Journal discussed the abandonment of telephony plans by CATV giant TCI.²¹

58) Similarly, wireless service would require a substantial improvement in quality before it could be considered a reasonable substitute to the local exchange services of Ameritech. Anyone who uses a wireless service understands that its utility, while substantial, presently rests in its mobility, not in its transmission quality or its ability to replace a land-line local exchange access line.

59) In terms of the publicly stated intention of the major IXC's to aggressively enter the local exchange market as evidence of competition, the ability of a carrier to advertise

²¹ See Appendix N, *Bad Call: Malone Says TCI Push Into Phones, Internet Isn't Working for Now*, Wall Street Journal, Thursday, January 2, 1997, p. 1.

intentions to provide services is in no way an indication of the success or progress that it will attain in the local exchange market. This type of hypothetical "evidence" is useless in measuring the actual competitiveness of a market and should be rejected. It falls far short of meeting the convincing demonstration of competition that I believe is required.

CONCLUSION

- 60) In summary, the criteria described herein can and should be used to test whether and to what extent competition exists in Ameritech Michigan' local exchange marketplace. Further, the evidence in the record herein demonstrates by any test that competition is practically non-existent in these markets and due to the fact that significant barriers are still in place, competition is not likely to develop for quite sometime. Finally, the existence of a resale tariff and a limited number of resold services does not in any way constitute the kind of full and effective competition that can serve to discipline Ameritech in the marketplace.
- 61) What Ameritech has suggested is that a number of carriers are certificated to provide some level of telecommunications services within the state of Michigan, and that several others are seeking similar authority. Furthermore, it has suggested that several carriers already have, or will have, agreements with Ameritech Michigan by which they may eventually gain access to interconnection services, unbundled network elements, and Ameritech's wholesale offerings.

- 62) This information provides the Commission with no indication of when, or if, these carriers will eventually overcome Ameritech's monopoly power in the marketplace or the extent to which they will be successful in providing customers with alternative services. This is accentuated by the fact that only five of the carriers mentioned by Ameritech (MCImetro, MFS, TCG, AT&T and USN) currently have final tariffs on file with the Commission and, hence, are the only carriers currently able to generally even offer services to Michigan customers. In addition, four of these carriers had those tariffs approved only recently and are unlikely to have made significant progress at this time.
- 63) Ultimately, Ameritech's performance in meeting its requirements under the competitive checklist cannot be measured and confirmed without a corresponding examination of the growth and health of competition in Ameritech's local exchange markets. For this reason, the Michigan Commission should seriously consider the actual level of competition -- especially that which is provided by facilities based competitors -- in both its decisions regarding the "non-discriminatory" nature of Ameritech's checklist compliance and its measure of the "public interest, convenience and necessity."

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the complaint of THE
MICHIGAN EXCHANGE CARRIERS
ASSOCIATION, INC., against AMERITECH
CORPORATION and MICHIGAN BELL
TELEPHONE COMPANY, d/b/a AMERITECH
MICHIGAN, regarding application of the
terminating access charge provisions of
MPSC TARIFF NO. 25.

Case No. **U-11293**

MICHIGAN PUBLIC SERVICE
FILED

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DEC 20 1996

COMMISSION

COMPLAINT

The Michigan Exchange Carriers Association, Inc. ("MECA"), through its attorneys, Foster, Swift, Collins & Smith, P.C., makes the following formal complaint against Ameritech Corporation and Michigan Bell Telephone Company d/b/a Ameritech Michigan. In support, thereof, MECA states as follows:

1. MECA is an association whose membership is comprised of 34 small local exchange carriers ("LECs") in Michigan. MECA's members generally serve the rural areas of the state. MECA's members provide basic local exchange service and access service. MECA was formed to establish joint intrastate access rates for these small rural

LECs, to administer the access "pool" and to address access-related matters on behalf of its member companies. MECA's address is 1400 Michigan National Tower, P. O. Box 20025, Lansing, Michigan 48901-0025.

2. MECA's members offer access service to other telecommunications providers on the terms and conditions specified in MECA's MPSC Tariff No. 25, on file with the Michigan Public Service Commission ("Commission").

3. Upon information and belief, Defendant Ameritech Corporation is a Delaware corporation with its principal place of business at 2000 West Ameritech Center Drive, Hoffman Estates, Illinois 60196-1025.

4. Upon information and belief, Defendant Michigan Bell Telephone Company is a Michigan corporation and a wholly owned subsidiary of Ameritech Corporation and has its principal place of business located at 444 Michigan Avenue, Detroit, Michigan 48226. Michigan Bell Telephone Company operates under the names "Ameritech" and "Ameritech Michigan" (hereinafter, Defendants will be referred to collectively as "Ameritech").

5. The Commission has jurisdiction over this Complaint pursuant to Sections 203 through 205 of the Michigan Telecommunications Act, MCL 484.2203-05, which generally provide that the Commission has the authority to resolve disputes between telecommunications providers.

6. Ameritech is a telecommunications provider that purchases switched access services from MECA's members in order to originate and terminate intraLATA toll calls in the exchanges of most MECA member companies.

7. A dispute has arisen between Ameritech and MECA, on behalf of its members, with regard to the imposition of charges for terminating Feature Group C ("FGC") switched access service, i.e., intraLATA calls for which Ameritech is the intraLATA toll carrier that terminate on the facilities of a MECA member company. For these calls, Ameritech pays the MECA member company switched access charges for enabling Ameritech to terminate its services using that MECA member company's facilities.

8. Switched access charges in the terminating direction are based on tariffed rates that are charged on a "per access minute" basis. Thus, Ameritech pays the tariffed switched access rate contained in MECA's MPSC Tariff No. 25 to the MECA member companies for each access "minute of use" for calls that are terminated on a MECA member company's facilities.

9. Specifically, the dispute between the parties centers upon how the terminating minutes of use are calculated. As a result of MPSC Case No. U-9590, Ameritech has paid MECA member companies based on terminating minutes of use calculated pursuant to agreed upon terminating to originating ratios ("T/O ratios"). These T/O ratios are used to derive or estimate the number of access minutes of use for calls where Ameritech is the toll carrier of the calls that terminate in the MECA members' exchanges. The number of terminating access minutes of use is derived from the number of originating access minutes of use. MECA members provide originating access and can identify the toll carriers who carry the originating toll calls from the MECA member exchanges to other exchanges. The MECA members can also identify the minutes of use for originating toll calls. The T/O ratio is applied to the originating minutes of use of each toll carrier that

originates calls from a MECA member company exchange to derive or estimate terminating minutes of use for that same toll carrier (when measuring capability does not exist in the terminating direction). The toll carrier then pays the MECA member company the tariffed rate in MECA's MPSC Tariff No. 25 multiplied by the derived or estimated terminating minutes of use.

10. Some toll carriers have installed dedicated trunks over which only that toll carrier's traffic travels. Thus, the MECA member companies know that all calls that terminate in the exchange on that direct trunk belong to that toll carrier. Dedicated trunks eliminate the need for T/O ratios because all terminating minutes in those trunks can be actually measured at the end office and the terminating carrier can be identified. Ameritech has refused to dedicate a trunk group over which 100 percent Ameritech calls would travel.

11. Ameritech and some toll carriers terminate calls on the MECA member companies' systems by use of common trunk groups. The routing instruction for the terminating traffic carried over a common trunk group currently does not include the identity of the toll carrier. However, Ameritech records at its tandem all information for all traffic carried by toll carriers other than Ameritech, including the identity of the toll carrier, by way of a carrier identification code ("CIC"). The toll carrier's CIC is forwarded as part of the call record to the appropriate end office. The call records are the basis for the billing of actual measured terminating minutes of use rather than an arbitrary T/O ratio. Ameritech does not include any information for calls for which it is the intraLATA toll carrier with these call records.

12. Ameritech has the ability to identify all calls including its own.

13. Case No. U-9590 was an application filed by MECA on behalf of its then 36-member companies seeking authority to revise its MPSC Tariff No. 25 to establish new rates and charges for access service. In Case U-9590, the Commission ordered the continued use of the current T/O ratios by adopting a settlement agreement entered into between the parties.

14. In relevant part, the Commission stated in Case No. U-9590:

"Existing, terminating, and originating access minute of use ratios will continue to be used by MECA member companies for purposes of billing access charges."

15. The current rates, terms and conditions for FGC access service, the service ordered by Ameritech from several MECA member companies, are specified in MECA's MPSC Tariff No. 25.

16. Part VI, Section 6.4 of MECA's MPSC Tariff No. 25 contains the specific regulations governing the rates and charges that apply for switched access service. In accordance with Section 6.4.1(A)(1), usage rates for switched access service are rates that apply on a per access minute basis. Section 6.7 contains terms and conditions describing FGC access and the provision of FGC access. Section 6.7.4 addresses the measuring of access minutes. The specific provision relating to terminating usage provides:

"For terminating calls over FGC the chargeable access minutes are either measured or derived. For terminating calls over FGC where measurement capability does not exist, terminating FGC usage is derived from originating usage, excluding usage from calls to closed end services or Directory Assistance Services." (Emphasis added.)

17. MECA member companies have continued to use T/O ratios to derive terminating usage for Ameritech because of Ameritech's business decision leaves no other

available option. The current T/O ratios have worked efficiently and fairly. The current T/O ratio methodology was recommended by the National Exchange Carrier Association ("NECA") for use with NECA's interstate access tariff, which MECA "mirrors." Further, the current T/O ratios were agreed to by access customers (toll carriers) in Case No. U-9590. Not only did Ameritech agree to the Settlement Agreement approved by the Commission in Case No. U-9590, but other access customers (toll carriers) also participated in that action and signed the Settlement Agreement. MECA has appropriately used the agreed-upon T/O ratios and demands payment for all past services provided based on the T/O ratios.

18. Ameritech is now attempting to dictate the adoption of new T/O ratios based upon a completely new methodology known to Ameritech as the "ITAC" methodology. The ITAC methodology was developed by Ameritech and all information and processing regarding the ITAC methodology is under Ameritech's control. Ameritech alleges that the current T/O ratios produce too many terminating minutes and, therefore, over-compensate the MECA member companies. Other than the results of the ITAC process, Ameritech has not provided any data to support this assertion.

19. MECA has continuously asserted throughout this conflict that MECA is willing to discuss the development of new T/O ratios that would more accurately reflect terminating minutes or work with Ameritech to measure actual terminating minutes. MECA, however, will not blindly accept new T/O ratios based upon an unproven and inaccurate methodology. Further, MECA is not obligated to be forced by an access customer to use a

methodology to derive T/O ratios that is unproven, and is developed and controlled by the access customer itself.

20. Nothing in MECA's MPSC Tariff No. 25 or any Commission order suggests to give any single access customer, such as Ameritech, the opportunity or right to dictate the method to be used for derivation or estimation of terminating usage. MECA and the MECA member companies are responsible for implementation of Tariff No. 25 and they have complete authority to offer service under the rates, terms, and conditions that they establish. Ameritech has the option to purchase a tariffed service, but Ameritech cannot mandate the methodology to derive or estimate terminating minutes of use other than that methodology agreed upon by the parties and approved by the Commission. The effect of Ameritech's edict is that it will pay significantly less total switched access charges than it should because Ameritech's ITAC methodology grossly underestimates Ameritech's level of terminating minutes of use.

21. The validity of the T/O ratios developed by Ameritech's ITAC methodology is very questionable. Several of MECA's members performed studies to verify the accuracy of the estimation of terminating minutes of use derived by Ameritech's ITAC methodology. The results showed that Ameritech's new T/O ratios, using its ITAC methodology, resulted in terminating minutes of use that were significantly lower than the terminating minutes of use calculated by the current T/O ratios and the actual terminating usage measured by the "residual usage" method described later. The T/O ratio derived by use of Ameritech's ITAC methodology skews the results in Ameritech's favor such that Ameritech would pay the tariffed switched access rate based upon a significantly lower

C. MECA member companies could use the "Residual Usage" methodology. This methodology requires the recording of 100 percent of the completed terminating traffic on any common trunk group. (This usage is referred to as the "TOTAL".) Consistent with its current practice, Ameritech would be required to record all completed terminating traffic with the CIC on any common trunk except that traffic that belongs to Ameritech. The MECA member companies would bill toll carriers access for calls for which the toll carrier's CIC is provided for that traffic. Next, the MECA company would subtract the terminating traffic billed to other toll carriers from the "TOTAL." "TOTAL" would be further reduced for any interexchange usage for which Ameritech compensates the MECA company, such as terminating Feature Group A ("FGA"). The remaining usage would be billed as Ameritech's terminating usage.¹

23. Alternatively, the MECA member companies could periodically develop T/O ratios based upon measured usage at the end office. The MECA member companies could use the Residual Usage method as a sampling mechanism to derive new T/O ratios. These ratios could be updated periodically in an accurate manner.

¹The Residual usage methodology is the only methodology that can measure actual usage without requiring that Ameritech make changes in its procedures, while still allowing MECA member companies to capture all usage terminated by Ameritech. If Ameritech wants to verify the number of minutes of use calculated by MECA by use of the Residual usage methodology, Ameritech could make an independent recording of the traffic at its tandem and double check MECA's billing records.

number of terminating minutes of use when compared to those minutes of use actually measured in the MECA member companies' studies or to those minutes of use derived by the T/O ratios previously agreed upon in Case No. U-9590. Further, no Ameritech representative has been able to explain numerous important aspects of the ITAC system, including how the following types of calls are handled: cellular, Directory Assistance (DA) call completion, IMTS, Centralized Fax, Toll over Extended Area Service (EAS), Inmate, any network originated call, DPRS, Feature Group A (FGA), Foreign Exchange (FX), Marine, No Answer Operator, Internet to Phone, Wholesale, 1-800-Readyline Like, Coin 1+, Conference, CLEC's Using Handoff, Originating Wide Area Telecommunications Service, or other calls.

22. There are a number of methods by which the parties can measure all terminating calls and thus accurately bill the appropriate terminating toll carriers, rather than deriving an arbitrary T/O ratio to estimate terminating minutes of use.

- A. Ameritech could send its terminating traffic on a trunk group that carries 100% of Ameritech's traffic, as other toll carriers have done for their traffic.
- B. Ameritech could record and measure 100 percent of the traffic terminating on all common trunk groups including the identity of the toll carrier (including Ameritech) at its tandem and send the call records to the MECA member company for appropriate billing. Recorded information would include, *inter alia*, the CIC for each call terminated.

24. Actual measurement by one of the three alternative measurement methods is preferable to the continued use of derived or estimated terminating minutes of use based on T/O ratios. MECA can implement any of the above referenced measuring methodologies in most MECA member company exchanges shortly after resolution of this dispute proceeding. If, however, actual measurement is impracticable, T/O ratios should have some basis in fact. Use of the Residual Usage methodology could, therefore, be used to develop new T/O ratios based upon actual measured usage.

25. Ameritech has unilaterally implemented the use of its ITAC methodology and has notified MECA that it will escrow the difference between the current Commission-approved T/O ratios and Ameritech's "new method." See correspondence from Ameritech, attached as Exhibit 1. MECA member companies are entitled to payment based on the T/O ratios previously agreed upon in Case No. U-9590, and Ameritech's payment of late fees pursuant to MECA's MPSC Tariff No. 25.

26. The parties should move toward a methodology that compensates the MECA member companies for actual measured terminating usage. Ameritech's unilateral imposition of its ITAC methodology to derive or estimate terminating minutes of use is not a progressive step toward actual measurement. In fact, the T/O ratios derived by Ameritech's ITAC methodology results in the payment of terminating switched access charges significantly less than Ameritech would pay if it were billed for measured terminating minutes of use. Ameritech measures terminating traffic for other toll carriers (other than Ameritech) at its tandem. Thus, Ameritech is attempting to force MECA to give Ameritech a competitive advantage over other toll carriers by imposing its ITAC methodology and

refusing to compensate MECA member companies based on measured terminating minutes of use.

27. Ameritech's imposition of its ITAC methodology to reimburse MECA member companies for terminating calls would result in discriminatory and advantageous treatment as compared with other telecommunications providers. MECA member companies are currently billing all other toll carriers for their actual terminating minutes of use or by way of the T/O ratios previously agreed upon in Case No. U-9590. Ameritech is unilaterally attempting to impose use of its ITAC methodology to gain a competitive advantage over other carriers by forcing MECA member companies to bill Ameritech a proportional total access bill significantly less than other toll carriers who measure or use the T/O ratios previously agreed upon in Case No. U-9590. The total access charge bill to Ameritech under its ITAC methodology is significantly less than Ameritech would pay if it measured its terminating minutes of use or used the T/O ratios previously agreed upon and adopted by this Commission in Case No. U-9590. The Michigan Telecommunications Act, however, limits discrimination between telecommunications carriers for the same service.

28. This Complaint is supported and explained further by the direct testimony and exhibit of Mr. David F. Freeman and the direct testimony of Mr. David S. McCartney.

WHEREFORE, the Michigan Exchange Carriers Association prays that the Commission (1) provide for a contested case hearing, (2) issue an order requiring Ameritech to release the escrowed access charge payments and pay the late fee contained in MECA's MPSC Tariff No. 25, (3) declare that Ameritech must pay for switched access service based

upon actual measurement methodologies where they are currently in use and based upon the T/O ratios previously agreed upon in Case No. U-9590 where there is no actual measurement, (4) approve the use of any of the methods of actual measurement where they can be implemented, and (5) in the absence of a technologically feasible or economically efficient actual measurement methodology, approve the use of new T/O ratios based on a sample using the Residual Usage methodology.

Respectfully submitted,

FOSTER, SWIFT, COLLINS & SMITH, P.C.

Dated: 12/20/96

By: Glen A. Schmieg

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STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the complaint of THE
MICHIGAN EXCHANGE CARRIERS
ASSOCIATION, INC., against AMERITECH
CORPORATION and MICHIGAN BELL
TELEPHONE COMPANY, d/b/a AMERITECH
MICHIGAN, regarding application of the
terminating access charge provisions of
MPSC TARIFF NO. 25.

Case No. **U-11293**

MICHIGAN PUBLIC SERVICE
FILED

DEC 20 1996

COMMISSION

TESTIMONY OF DAVID S. McCARTNEY ON BEHALF OF
THE MICHIGAN EXCHANGE CARRIERS ASSOCIATION, INC.

Dated: December 20, 1996

1 INTRODUCTION AND QUALIFICATIONS

2 Q. Please state your name and business address.

3 A. My name is David S. McCartney, and my business address is 2803 US 41 West,
4 Marquette, Michigan 49855.

5
6 Q. By whom are you employed and in what capacity?

7 A. I am employed by the firm of McCartney and McIntyre, P.C., Certified Public
8 Accountants. I am a Vice President of the firm and Manager of our Marquette office.
9 In addition, I am responsible for supervising special studies related to the
10 telecommunications industry.

11
12 Q. Are you a Certified Public Accountant?

13 A. Yes, I am a Certified Public Accountant and registered in the State of Michigan.
14

15 Q. Would you detail your educational background?

16 A. I graduated from Michigan Technological University in 1976 with a B.S. in Mathematics.
17 In 1979, I received my M.B.A., with an emphasis in finance, from the University of
18 Notre Dame.

19
20 Q. Mr. McCartney, would you explain your experience in the field of telecommunications?

1 A. Since 1971, I have been employed on numerous occasions by the firm of McCartney and
2 McIntyre, P.C., and its predecessor Richardson and McCartney, to assist on various
3 engagements for many telephone companies in Michigan.

4
5 With McCartney and McIntyre, P.C., I have performed many audits of telephone
6 companies and have had responsibility for preparing the mathematical analysis of various
7 telephone plant account lives to arrive at proposed lives and salvage values. I have
8 developed general ledger systems to properly account for access. Also, I have worked
9 on projects for the independent telephone industry, including the Telephone Association
10 of Michigan (TAM) and the Michigan Exchange Carriers Association, Inc. (MECA),
11 regarding access charges, average schedule access settlements, pooling operations, and
12 deferred tax accounting. Additionally, I have been involved in numerous engagements
13 of a general nature regarding accounting and taxes.

14
15 I have worked on a continuing basis as a consultant to MECA.
16

17 Q. Mr. McCartney, have you previously testified before this Commission?

18 A. Yes. I testified for the Kingsley Telephone Company in Case No. U-6690 regarding a
19 study I prepared projecting operating results. I also testified in Case No. U-9007
20 regarding the revenue requirements and demand data for MECA. I testified for Michigan
21 Bell Telephone Company in Case No. U-9214 regarding the validity of Michigan Bell's
22 assertion that the transfer price of net book for the mobile service and assets of Michigan

1 Bell taken as a whole is greater than their fair market value. I testified for MECA in its
2 general rate case, Case No. U-9590, regarding (a) how the data from the MECA's
3 member companies was compiled, (b) how the projected demand quantities were
4 determined, (c) how projected revenue requirements were determined, (d) how the
5 revenues that MECA's members would generate based on the demand quantities and
6 MECA's intrastate tariff, which mirrored the interstate tariff, were projected, and (e) the
7 mechanism that MECA proposed for recovery of the difference between MECA's
8 revenue requirement and MECA's projected revenues from mirrored rates. I testified
9 for Baraga Telephone Company on the basis and reasonableness of the rates to be
10 charged for various basic local exchange services in Case No. U-10533. I testified on
11 behalf of Allendale Telephone Company in Case No. U-10779 regarding the basis and
12 reasonableness of the rates to be charged for various basic local exchange services.
13 Finally, I testified again on behalf of Baraga Telephone Company in Case No. U-10930
14 regarding the basis and reasonableness of the rates to be charged for various basic local
15 exchange services.

16
17 Q. On whose behalf are you testifying?

18 A. I am testifying on behalf of MECA.
19

20 Q. Please describe MECA.

21 A. MECA is an association whose membership is comprised of 34 small local exchange
22 carriers ("LECs") in Michigan. MECA's members generally serve the rural areas of the

1 state. MECA's members provide basic local exchange service and access service.
2 MECA was formed to establish joint intrastate access rates for these small rural LECs,
3 to administer the access "pool" and to address access-related matters on behalf of its
4 member companies.
5

6 Q. What is access service?

7 A. Access service is generally provided by facility-based Local Exchange Carriers
8 ("LECs"). It enables another provider to originate or terminate toll telecommunications
9 services within a local exchange. Toll access service allows toll providers, including
10 Ameritech Michigan, GTE North Incorporated, and other toll carriers to originate or
11 terminate toll calls in a local exchange. Toll carriers obtain "access" to the MECA
12 member companies' facilities and pay access charges for the services provided. The
13 MECA member companies charge intrastate toll access rates that are uniform among the
14 member companies pursuant to MECA's MPSC Tariff No. 25. MECA administers the
15 intrastate access pool, which allows the companies to be compensated based on their
16 costs even though they all charge uniform toll access rates.
17

18 Q. What is "switched" access service?

19 A. According to Part VI, Sheet 1 of MECA's M.P.S.C. Tariff No. 25, Switched Access
20 Service is available to toll carriers for their use in furnishing their toll services to retail
21 customers (end users). It provides a two-point communications path between a toll
22 carrier's designated premises and an end user's premises. It provides for the use of

1 common terminating, switching and trunking facilities and for the use of the local loop
2 of the LEC. Switched Access Service provides for the ability to originate calls from an
3 end user's premises to a toll carrier's designated premises, and to terminate calls from
4 a toll carrier's designated premises to an end user's premises in the LATA where it is
5 provided.

6
7 Rates and charges for Switched Access Service depend generally on the specific "Feature
8 Group" ordered by the customer and whether it is provided in an LEC end office that is
9 equipped to provide equal or nonequal access.

10
11 Ameritech's Tariff F.C.C. No. 2 describes switched access service similarly.

12
13 Q. In the course of your employment either at McCartney & McIntyre or otherwise, have
14 you dealt with issues relating to switched access service and terminating usage?

15 A. Yes. I have had extensive training regarding switched access service, including many
16 industry seminars. I also testified on behalf of MECA in Case No. U-9590, which has
17 relevance to the current dispute because it involved issues regarding terminating switched
18 access. My duties as an independent auditor have required me to test access bills and
19 the systems that collect that data. Additionally, I lectured at a Rural Electrification
20 Administration CPA seminar on what the auditor should know about access.